InfraRed Capital Partners

From data centers to AI infrastructure

An asset class rapidly evolving into a financing ecosystem

AI infrastructure is evolving into a multitrillion-dollar financing ecosystem that spans public and private markets, debt and equity.

For private infrastructure investors, however, AI is currently far more a private credit story than a private equity story. Equity opportunities remain concentrated in a relatively small number of platforms and developers, while the largest share of private capital is being deployed through credit markets, which are funding AI data centers backed by hyperscalers' long-term off-balance sheet lease commitments.

Those commitments have surpassed $875 billion in 2026 and are forecast to exceed $1 trillion by 2027. Private credit funding accounted for more than $250 billion so far in 2026 (as at August), materially exceeding equity deployed into the sector. This funding was focused on loans with an average duration of approximately five years and average credit spreads of about 360 basis points. This has provided meaningful premiums over hyperscaler bonds, albeit with an element of refinancing risk, mitigated in part by hyperscaler commitments typically exceeding the loan duration.

Infrastructure equity GP investment remains below $70 billion to date, while institutional equity co-investments and direct investments have been comparatively limited at approximately $15 billion. This reflects a continued preference among institutional capital for stabilized assets and contracted cash flow profiles rather than development-stage exposure. However, we expect capital deployment in the sector to continue growing.





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Gianluca leads InfraRed's research function, providing deep insights and analysis across the infrastructure asset class for the investment community.

Understanding this broader financing ecosystem is critical. It not only expands the opportunity set available to infrastructure investors, spanning asset classes and sectors from data centers to energy, but also enables a portfolio-wide view of AI exposure across risk profiles and stages of the value chain.

A shifting model

Alongside traditional linear models, in which private capital funds data center projects and hyperscalers sign long-term leases to host their servers, rapidly shifting market fundamentals are driving an evolution toward "AI factories." These are circular models whereby graphics processing unit (GPU) producers, AI model developers, hyperscalers and private investors constitute a special purpose vehicle (SPV), which funds the development of new projects, then refinances through securitized debt such as asset-backed securities.

As hyperscalers increasingly act simultaneously as tenants, customers, joint-venture and strategic partners, counterparty exposure has become both a key credit strength and a potential source of concentration risk. These new structures also raise questions around the long-term obsolescence of traditional hyperscaler data center financing models, as well as equipment refresh cycles and power procurement strategies, and can influence how exposure should be measured at the portfolio level.

Power is the binding constraint

AI infrastructure is creating opportunities across power generation and energy storage, and energy infrastructure can also offer a complementary way to gain exposure to AI-related power demand.

Roughly 80 percent of privately funded data center investments are in North America, with average privately financed developments growing from approximately 35 megawatts in 2020 to around 150 megawatts in 2026. The largest facilities funded with private capital have expanded tenfold, from 100 megawatts to 1 gigawatt during the same period. Those data centers at the furthest end of the spectrum can require power equivalent to that consumed by a city

of around 500,000 residents. This highlights the unprecedented capital and infrastructure requirements of the AI era.

Land acquisition and power rights are typically secured only once hyperscaler commitments are underwritten, reducing demand risk and limiting speculative development. As a result, the principal development risk increasingly resides in power procurement and grid interconnection timelines, where delays can postpone capacity delivery despite the facility itself being completed. Growing power demand is supporting investment in new generation and storage capacity, while also increasing the scarcity value of secured grid connections, including across renewables and battery storage.

> *"The key question is whether new private infrastructure allocations provide genuine diversification, as expected from the asset class, or represent different expressions of the same AI adoption thesis."*

Where infrastructure equity fits

Private infrastructure capital is primarily investing in the physical infrastructure enabling AI growth, where returns are typically driven by development, leasing and operational value creation rather than direct participation in AI earnings growth. As a result, private markets can continue to offer attractive relative value in selected segments, in our view.

That said, a significant proportion of the economics ultimately remains linked to a limited number of hyperscaler counterparties and AI model developers. Discipline remains critical: strong barriers to entry and downside protection, for example through deal structuring, should underpin the investment case before growth is considered.

A total portfolio perspective

The emergence of AI infrastructure is reshaping not only what private investors finance, but how risks are distributed across portfolios. Semiconductor manufacturers, hyperscalers, power providers, developers, infrastructure funds, lenders and structured finance vehicles are becoming interconnected through joint ventures, long-term leases, capacity agreements and new financing structures.



Investors may, therefore, gain exposure to the same underlying drivers through multiple positions that appear diversified but are ultimately linked to a common set of variables: AI adoption, semiconductor demand, hyperscaler capex, cloud economics and power availability. An investor may simultaneously hold equity in a hyperscaler, debt secured against a data center leased to that hyperscaler, and infrastructure investments supporting its power requirements. While these occupy different positions in the capital structure and exhibit different risk-return characteristics, their performance may remain highly correlated under stressed scenarios.

The key question is whether new private infrastructure allocations provide genuine diversification, as expected from the asset class, or represent different expressions of the same AI adoption thesis. That creates a growing need for a total portfolio approach: beyond assessing individual investments, investors increasingly need to evaluate portfolio-wide concentrations to counterparties, technologies and end-demand assumptions.

The challenge is therefore not only identifying where value will be created, but determining which exposures, structures and positions in the capital stack best align with long-term strategic objectives.

CORPORATE OVERVIEW

InfraRed Capital Partners is a leading international mid-market infrastructure asset manager. Over the past 25 years, InfraRed has established itself as a highly successful developer and an active steward of essential infrastructure. InfraRed manages $14 billion of equity capital for investors around the globe and combines a global reach, operating worldwide from offices in London, New York, Miami, Frankfurt, Madrid, Seoul and Sydney, with deep sector expertise from a team of more than 160 people.

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Sources: Bloomberg, S&P Global, Fitch, Infralogic, DatacenterHawk, Reuters, September 2026. For illustrative purposes only

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